Cheat sheet Compilation

by

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Introduction

Dear family,

This PDF represents a compilation of recently published cheat sheets.

These cheat sheets are meant to be a quick reminder of lessons shared in previous tutorials. Please make sure you read the tutorials first for more explanation and detail.

You can access the complete and updated tutorials on my Free Mentorship link. Yes, it's free.

Love,

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Risk Management

Cheat Sheet by EmperorBTC

Risk management is the most important skill to learn in trading because it helps you protect your capital. This is crucial for survival and your ability to bounce back after a bad week/month/year.

Risk : Reward Ratio

$$R/R = \frac{\text{Entry point - Stop loss Point}}{\text{Profit Target - Entry Point}}$$

This ratio denotes how much money you make on a successful trade vs how much money you lose being unsuccessful on the same trade

How much to risk per trade?

My personal preference is 2-3% risk per trade as I mostly scalp and the number of trades per month is high.

Position Size

Capital preservation is key. Before entering any trade, you should first determine what's your position size.

$$\text{Position Size} = \frac{\text{Capital at Risk}}{\text{Distance/ \% to Stop Loss}}$$

What if I have 100K and i want to risk 3%, what's my position size?

If you're risking 3k, and your invalidation is 4% below your entry, then your position size is 75k. You can either buy/short using 75k without leverage or you could 5X leverage and use 15k as margin. You will only lose 3% instead of 70-80%.

Your Position size will depend on WHERE THE INVALIDATION level is.

Trading Trident

One should only enter a trade if you have a clear 'Trading Trident'.

1. Entry Triggers as per your trading technique
2. Established invalidation levels (Stop loss)
3. Defined reversals (Profit-taking)

Trading Trident

Evolving R

Remember that having a fixed stop loss doesn't mean you take the full loss all the time. You get out when your idea has been proven wrong.

- Evolving R is a concept that explains that your Risk: Reward ratio is always changing when you're in a position.
- Consider the chart above. Traders can move their stops to entry and then sit on their hands hoping for 1 more R. It is a free trade now.
- You're up 6% after risking 2% on the trade, and you're now risking that 6% to make 2% more. This is when you place a market order and then exit the trade with a large profit.

View Full Tutorial here

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Volume Profile Visible Range

Volume Profile Series (1/3)

Cheat Sheet by EmperorBTC

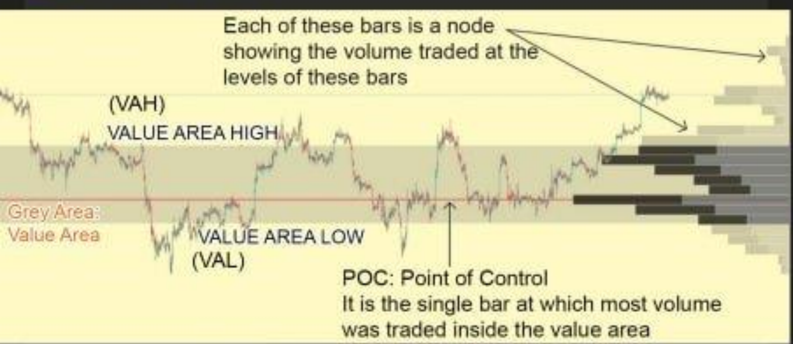
View full tutorial here

Volume Profile Visible Range (VPVR)

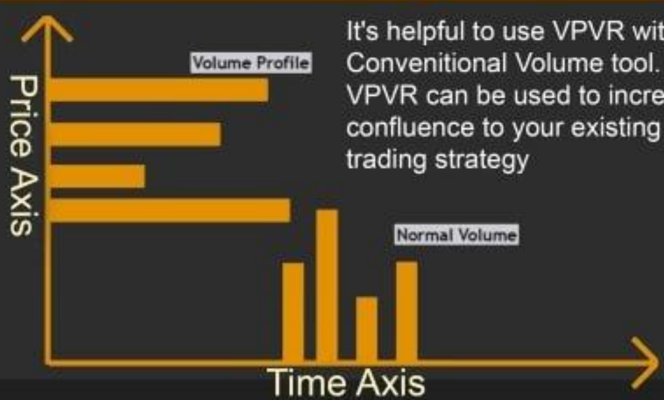
- Volume Profile provides information on the amount of an asset traded at a specific price point. It shows us volume of an asset along the y axis, indicating HORIZONTAL volume.
- Volume Profile Visible Range (VPVR) gives us the volume profile for all of the price action visible on the chart.
- When a support is reached, most traders long. When the support is broken and price retest it as support, everyone is happy to close the long at Breakeven. VPVR will help you see the large volume in this price area visually.

Glossary of terms:

POC - Point Of Control. The horizontal price point at which the most volume was transacted out of all the visible price action on the chart.
Value Area - The region of the chart where the majority of the price action was concentrated. This is 70% of the total volume by default. This is highlighted by the dense bars in the image attached or the grey area. The Value area range extremities can act as strong S/R.
VaH - Value Area High
VaL - Value Area Low



Value Area Range Trading



It's helpful to use VPVR with Conveinitional Volume tool. VPVR can be used to increase confluence to your existing trading strategy

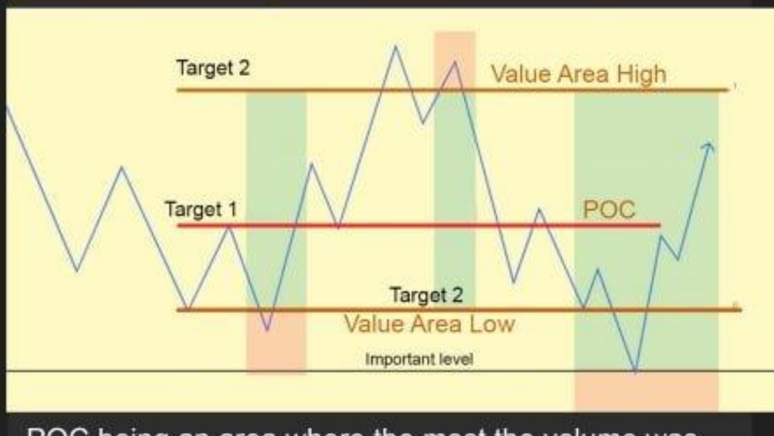
HVN - High Volume Node. This node is not the point of control for the current visible range but still stands out from neighbouring nodes by having unusually high volume. This signifies a lot of trades opening/closing at that particular point, this works just like a POC does when behaving as S/R.

LVN - Low Volume Node. When there is unusually low volume at a particular price point, there might be a node that stands out. Some traders use these as liquidity gaps if there are many low volume nodes at a particular region.

Trading breakouts from Value Area Range

- When price breaks out of VaH and holds, You either
  - took profit on a long at VaH and may feel some FOMO of getting out too early.
  - shorted the VaH and are now underwater.
- For Case 1: No one went broke taking profits.
- For Case 2: When you see "acceptance" above Value Area, get out and eat the loss.
- When prices move beyond value area and appear to hold those levels, this is called acceptance. Just wait for a new range to form and rinse-repeat

Trading the Value Area



POC being an area where the most the volume was traded becomes crucial as it can be resistance/support very often.

The Ethereum Merge

Purpose

The main purpose of the merge is to transition from the blockchain's proof-of-work to proof-of-stake consensus mechanism. This would make the blockchain more energy-efficient, secure and enable scalability in the future, including sharding. The proof-of-stake mechanism aims to reduce energy consumption by up to 99.95%

How The Transition Works

Instead of transitioning to a new consensus mechanism at once, the team decided to break the transition in to 2 steps. First was shipping the Beacon Chain that runs in parallel with the Main Net. The accounts, balances and smart contracts in the main net uses proof-of-work while the Beacon Chain runs in parallel using proof-of-stake. This allowed the Beacon chain to be tested for a period of time without having a direct impact on the Main Net. The second step is merging the Beacon Chain with the EVM state of the Ethereum proof-of-work main net.

The Beacon Chain

We can imagine the Ethereum Merge as two spaceships running in parallel, the main Ethereum network being the old spaceship and the Beacon chain being the new. The aim is to replace the old spaceship's engine with a new one without requiring the old spaceship to a complete stop. At the same time, the new space ship's engine has to be tested on the same conditions. So, the new space ship runs in parallel with the old one. After the new spaceship is tested, the space ships will swap engines mid-flight.

How to Play the Ethereum Merge

1. Borrow as much ETH as possible while managing risk as per your parameters. ETH PoW tokens will be airdropped based on the the amount of ETH a wallet holds at the time of the snapshot. Sell the ETH PoW tokens to take profit after tokens received on your wallet. Clear debt, which would be nominal since you would only borrow for a short while. Problems: This is the most popular play. You never want to be on the popular side of the trade as slippage could be very high around the Merge with millions of wallets doing the same thing.

2. Aave community has voted to suspend ETH lending which hinders play 1. The reason is that they cannot afford to let all of the ETH on the protocol be loaned out. This is called utilization percentage. If all of the ETH is utilized/borrowed, then there would be a liquidity crisis. High borrowing rate means interest on borrowing would go up. That means that there will come a point when borrowing rate would be more than staking rewards. A lot of ETH pegged assets such as stETH will then face a lot of sell pressure as users post it as collateral to get more ETH before the snapshot and then unstake later as the stETH/ETH position would then be unprofitable. The basic play here is to buy the blood when cascading liquidations on Aave and other protocols cause pegged assets like stETH to be available at dirt cheap prices.

3. You could effectively short ETHPoW token (at your own risk and timing is essential) in anticipation of holders taking profits who had borrowed ETH just to get the airdrop. Eth Merge is also guaranteed to be a very volatile market event, one could bet on volatility as a trader, be it through options or MOVE contracts.

   Reason - Large amounts of shorts closing that were hedges for the spot ETH bought for the ETHPOW token airdrop, retail longs in anticipation of the big news event and the borrowed ETH being returned after the airdrop.

Ethereum is moving off of proof-of-work (POW) to proof-of-stake (POS) because it is more secure, less energy-intensive, and better for implementing new scaling solutions.
POW mechanism is when miners expend energy using computing machines to prove they have capital at risk. They get rewarded with tokens in exchange.
POS is a consensus mechanism where validators stake Ether into a smart contract which acts as collateral that could be destroyed if the validation behaves dishonestly. The validator is then responsible for checking that new blocks propagated over the network are valid.
For ETH specifically, to participate as a validator, a user must deposit 32 ETH into the deposit contract.

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Consumer Price Index

01 Consumer Price Index

CPI is a widely used measure of inflation published by the US Bureau of Labor Statistics which measures the change of prices paid by consumers for a representative basket of goods and services that reflects consumer buying patterns.

02 Basket of Goods & Services

Group	Weight
Housing	32.2%
Commodities	21.2%
Food	13.5%
Energy	8.8%
Education	7.6%
Health Care	6.8%
Transportation	5.9%
Other Expenses	4.0%
Total Expenses	100%

The CPI market basket is derived from detailed reports provided by 24,000 families regarding the goods they purchased and their respective costs over a defined period of time. The table represents the CPI basket weighted distribution amongst major expense categories. Inflation is measured by the percent change of the price index.

Inflation = ((C - P) / P) x 100

C = the current price of all goods and services sampled

P = the previous period's price

03 Why it's important

3.1 Federal Reserve

The CPI is used by the Fed to calibrate its monetary policy, as part of its mandate to stabilize prices. Example: Setting lending and borrowing rates

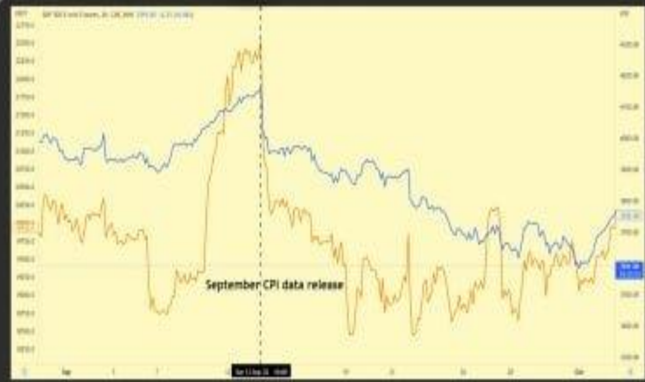
3.2 Housing / Rents

Mortgage rates are impacted by rates set by Fed. As the CPI rises and the government alters policy to control inflation, rates rise. Landlords can use CPI to determine rent increases for tenants.

3.3 Financial Market

Financial market prices are impacted by CPI. Generally, Higher CPI means tight government monetary policy and cheap debt. Lower CPI, on the other hand, means easy policy and boost in spending.

Generally, growth stocks drop in price during high inflation. Growth stocks are shares that are not showing strong current cash flows or dividened pay-outs. Technology & consumer discretionary stocks are often considered growth stocks that make up about 40% of S&P 500 index.



In the chart above, we see the impact of CPI print on the price of S&P 500 and Bitcoin. Both assets have shown strong positive correlation in the recent months.

04 Core CPI

The Core CPI is an aggregate prices paid by urban consumers for representative basket of goods & services excluding energy and food. This is often used by economists because food and energy are often more volatile.

05 CPI vs PCE

Personal Consumption Expenditure (PCE) is based on prices from all households, corporations, and governments, along with gross domestic product (GDP). The Fed prefers to use the PCE Price index when gauging inflation because it is composed of broad range of expenditures. It is a weighted data from business surveys which tend to be more reliable. Nevertheless, Fed still looks at the CPI because it provides better granular transparency than PCE.

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Fibonacci Retracement

Cheat Sheet by EmperorBTC

The Fibonacci Retracement Tool

The levels in the Fibonacci Retracement tool are used to predict future support and resistance levels based on mathematical ratios

Drawing in an Uptrend

(Looking for future Support) :

Step 1 – Identify the direction of the market: uptrend

Step 2 – Attach the Fibonacci retracement tool on the bottom and drag it to the right, all the way to the top. (Always pull your retracement tool from left to right)

Step 3 – Monitor the three potential support levels: 0.236, 0.382 and 0.618

Drawing in a Downtrend

(Looking for future Resistance) :

Step 1 – Identify the direction of the market: downtrend

Step 2 – Attach the Fibonacci retracement tool on the top and drag it to the right, all the way to the bottom

Step 3 – Monitor the three potential resistance levels: 0.236, 0.382 and 0.618

Fibonacci Confluence

Fibonacci is primarily a tool used to add confluence to your trading. If you are inclined to use Fibs more actively, doing a top down analysis (HTF to LTF) using fibs for deep swings on each time frame is the best way

Fibonacci Extensions

These are extremely useful for future levels that the price has not reached yet. Example: All Time High (ATH) territory .

The above is an exact illustration of how one could have nailed half of the bull market using simple ranges, levels and fib retracement and expansion tools.

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Fibonacci Retracement: Advanced Concepts

Cheat Sheet by EmperorBTC

Golden Pocket

For traders,the golden pocket is the numerical value/percentage that price usually respects as an area of support or resistance. In trading cryptocurrency, the golden pocket considered by most traders is the 0.618 level. In some cases, traders also use 0.66 or 0.65.

When trading on the Higher Time-Frames (HTF), it is vital to consider only the deep swings and then consider laddering orders inside the golden pocket region if there is confluence for that zone.

- On the lower TF, such trends contain deep swings with a short-term range where you can short the retracement
- However, If final target is just the range low, the potential R:R for the setup is lower. It is advisable to target range or swing low in this example as TP1 and have further levels to close the trade like -0.618 as TP2 and -1 as TP3.
- In practice, using negative fib levels always implies reacting to the price.
- Take profit levels can be identified using negative Fibonacci levels of -23.6%, -61.8% and -100%, respectively.

Range trading with 0.702 level

- First identify the range high and the range low.
- Using tracing the Fibonacci levels, support levels at 0.702 and 0.786 can be buying opportunity.

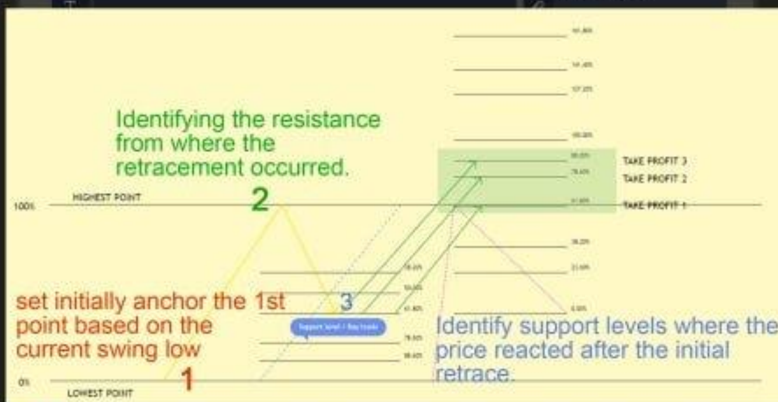
Negative Fibonacci

When price moves beyond your Fibonacci retracement range (0%-100%), you can utilise the negative fib levels as targets.These values are used to anticipate where price will find support or resistance.This tool can be used independently, but additional confluence must always be considered before trading.

Additional values to be added are:
-100% or -1.0
-23.6% or -0.236
-61.8% or -0.618
-161.8% or -1.618

Fibonacci Extension

Unlike Fibonacci Retracement, there are 3 anchor points in Fibonacci extension. It is used to identify accurate take-profit levels.



- The previous lowest point is at 0% and the previous highest point is at 100%. A Fibonacci retracement is plotted to identify possible support levels
- Price movement retraced down to the 61.8% level and held it as support - a prospective buying opportunity
- Once support level has been located, plot out the 3 points of the Fibonacci Extension. 1: previous lowest point, 2: retracement /resistance, and 3: Support level.

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Market Structure
Basics

A Cheat Sheet by Emperor BTC

Vocabulary

HH = higher high
HL = higher low
LL = lower low
LH = lower high
BOS = Break of Structure
MS = Market Structure
CHoCH = Change of Character (in the market)

Market Structure

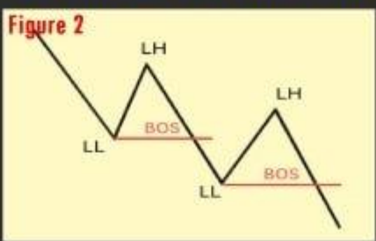
Market structure defines the structure that the current market is trading in.

Bullish Market Structure

A bullish MS is identified when the price makes a series of HH and HL.

Every time the price takes out a high to form a higher high, we get what is called a break of structure, BOS

Bearish Market Structure



A bearish MS is identified when the price makes a series of LL's and LH's.
Every time the price takes out a low to form a lower low, we get a break of structure, BOS.

Using Market Structure

Deep Swing

To know which swing points to use, you can look for deep swings highs and lows on higher time frames.

Deep swing high is the highest point that causes a swing low and a deep swing low is the lowest point that causes a swing high.

In the chart above, the price was previously in a continuous uptrend, making HH's and HL's, until it reached the high marked with a green tick. The price proceeded to fail to break that high and ended up moving below the low that formed that high. Thus, you have a BOS.

Pullbacks

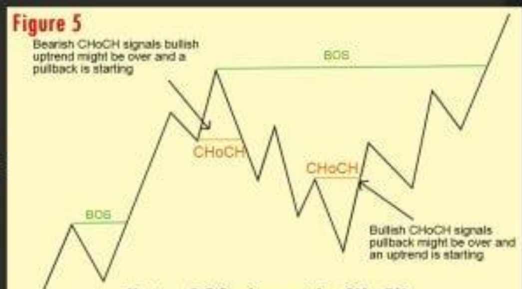
Note that after every BOS we expect a pullback on that same timeframe. And this is where market structure comes in handy.

If a BOS occurs then look for an opportunity to long/short on a pullback. In other words, never think of buying right after a BOS; wait for the pullback.

Change of Character

CHoCH is a tool you can use alongside the BOS to anticipate when a run may be finished and a pullback may be starting (Bearish CHoCH), and when a pullback has finished and a run may be beginning (Bullish CHoCH)

I recommend you look at CHoCH as first sign of trend change, it doesn't have to be a deep swing structure - it can be minor movements in between. BOS is a trend continuation to look for deep swing highs and lows



Note: CHoCH can give false signals. Use it in confluence with other tools.

CHoCH is not a structure break. The minor movements in between help you anticipate the start or the end of a pullback. In this case, if a CHoCH was to happen it would be before the BOS. On a real chart, you might be able to find a CHoCH before BOS in the region circled red in Figure 4

Long Set-up Sample

After first HH is defined on a high time frame, we wait for a pullback to enter

The first bearish CHoCH signals bullish swing run might be over, starting a pullback

The 2nd CHoCH breach is a bullish sign indicating pullback may end and swing run may start.

The key is to look for signs of pullbacks (or CHoCH) on the lower timeframes to get with general MS direction on the higher timeframe.

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Completing the Foundation on Market Structure

a Cheat Sheet by EmperorBTC

Some Clarifications
(On Market Structure)

? *Why is this not a CHoCH?*

This blue circle can't be considered as CHoCH because the price has retraced to the upside right away, which is a warning sign that the price might not be continuing to the downside (not a significant pullback).

? *How can you predict this could not be a BOS and price will not return to HL or lower? Any triggers?*

The figure shows what should be considered as a deep swing. Once a BOS happens, we take the lowest low that has led to our HH to be broken, and we call it HL. Then we wait for a pullback to enter. We do not predict where the price will return to or whether it will head lower; ideally in a bullish MS, we look for longs until proven otherwise. Remember that market structure is a fundamental concept to understand; you must always look for entry triggers using other concepts.

Swing Structures and Substructures

- Swing structure is the framework where we lay out our deep swing highs and swing lows; it highlights the significant price fluctuations. (Bigger picture)
- The substructure is the minor movements happening inside the larger swing structure. (Smaller picture)
- BOS happens in swing structures while CHoCH happens in Substructures. Also, these structures will be relative to the timeframe that you are viewing.

- after the HH in the chart above, we notice a BOS so we mark out our deep swing high and low, every price movement happening in between these two lines is categorized as noise or minor movements, and we should refer to these substructure changes as bearish CHoCH or bullish CHoCH.
- Bearish CHoCH is the first switch turning the substructure from bullish to bearish and bullish CHoCH is the first switch turning the substructure from bearish to bullish. These are the only two CHoCHs you should care about.

- after BOS we wait for a pullback to enter, the first sign of the start of a pullback was the bearish CHoCH, the second sign of the end of our pullback was the bullish CHoCH. We enter on the first green candle closing above the bullish CHoCH and we target the previous HH.
- Notice that we waited for a long setup since the swing structure (bigger picture) is bullish. For confluence you can use Volume Profile or simply horizontal levels that are relevant to add more confluence to our entry trigger.

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Cumulative Volume Delta (CVD) and Price

a Cheat Sheet by EmperorBTC

Cumulative Volume Delta (CVD)

CVD describes the number of contracts bought at the offer minus those sold at the bid. It simply measures the “aggressiveness” of buyers versus sellers. If the sellers are aggressive, they place limit orders instead of market selling and vice versa. CVD is the easiest method to use delta in your trading.

Weak Participants/ Exhaustion

Price makes new highs or lows. CVD does not follow, this signals exhaustion from traders.

Absorption

CVD makes new highs or lows. Price does not follow, this signals heavy market orders being places and hence aggression by traders which gets 'absorbed' by large limit orders.

Summary

Price	Cumulative Volume Delta (CVD)	
Lower Low	Higher Low	Exhausted Sellers
Higher Low	Lower Low	Selling Pressure Absorbed
Higher High	Lower High	Exhausted Buyers
Lower High	Higher High	Buying Pressure Absorbed

Conclusion

I hope this was helpful.

We have a lot more to learn in the mentorship series. This is my best effort at teaching you everything I know.

I encourage you to implement what you've learnt on as many charts as possible.

Thank you for your time. I appreciate the love and support this community gives me every day.

Love,

EmperorBTC